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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
Access Charge Reform for Incumbent	)	CC Docket No. 98-77
Local Exchange Carriers Subject to	)	
Rate-of-Return Regulation	)	

COMMENTS
of
FREDERICK & WARINNER, L.L.C.

I. INTRODUCTION

Frederick & Warinner, L.L.C., (Frederick & Warinner) hereby submits these comments in response to the FCC's Notice of Proposed Rulemaking (NPRM) in the above captioned proceeding.[1] Frederick & Warinner is a certified public accounting firm which specializes in the provision of accounting services to local exchange telephone companies. These services include assisting clients in conducting jurisdictional separations cost studies, aiding in the preparation and issuance of interstate access services tariffs, and advising clients regarding accounting requirements under Parts 32, 36, 64, and 69 of the FCC's Rules and Regulations. These comments are filed by Frederick & Warinner on behalf of its local exchange company clients.

II. SUMMARY

In these comments, Frederick & Warinner discusses how the costs assigned to transport are identifiable and we propose that the residual interconnection charge (now called the transport interconnection charge or TIC) can be eliminated. We discuss the assignment of

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[1] *Access Charge Reform for Incumbent Local Exchange Carriers Subject to Rate-of-Return Regulation, Notice of Proposed Rulemaking, CC Docket No. 98-77*, FCC 98-101, released June 4, 1998.

costs and the development of circuit counts and central office (CO) terminations counts which drive the allocation of investment that is assigned to the tandem switched transport element, and we show that a review of the way circuits and terminations are counted and weighted has a major impact on the costs assigned in Part 36 to the message toll and special access services. We demonstrate that weighting circuits and weighting terminations based on the way they are provisioned will move (reallocate) costs out of the switched transport elements and into the special access elements. We then discuss how rate development for the flat-rated (facilities) transport elements and the switched usage sensitive transport elements are determined. We suggest that these rates would be more representative of the actual costs of provisioning services if the methods of counting circuits and CO terminations are revised. We also provide calculations to show the impact of our suggestions on the rate development process.

III. IDENTIFICATION OF TRANSPORT COSTS

Transport rate elements are determined from three basic classifications of Telephone Plant:

1) The **central office (CO) switching investment** that is allocated to transport is either Category 1 Operator Systems or Category 2 Tandem Switching related to the consolidation of toll calls and their delivery to an interexchange carrier (IXC). Any of this switching plant, whether manual switching or tandem switching, which is not allocated or assigned to the "tandem switching" element is residually placed in the tandem switched transport termination element. Since this investment only involves plant in the call train, no portion of the switching plant is allocated or assigned to special access. For a small Independent Local Exchange Carrier (ILEC), typically there will not be any Category 1 Operator Systems investment and approximately only 10% will have investment in tandem switching Category 2.

2) The **CO transmission investment** that is allocated or assigned to the transport elements is either assigned to the tandem switched transport - termination element or

assigned to the special access elements as either circuit terminations (line plant) or channel mileage terminations (trunk plant). Most ILECs will have exchange line investment, identified as Category 4.13 CO circuit equipment, allocated to the special access channel termination element based on the relationship of special access loops to total revenue producing CO loops. (Other exchange line investment is allocated to the CCL element based on subscriber loops.) Most ILECs will also have interexchange trunk investment, identified as Category 4.23 CO circuit equipment, allocated to the special access channel mileage termination element based on the relationship of special access terminations to total CO terminations. All Category 4.23 CO circuit equipment costs not assigned or allocated to the special access element are assigned to the tandem switched transport termination element based on the relationship of "switched terminations" to total CO terminations. Category 4.30, host remote CO circuit equipment costs, are assigned to the tandem switched transport termination element or, if the closed end of WATS is present, allocated to the special access channel mileage termination element.

3) Most of the investment in **Cable & Wire Facilities (CWF) trunk plant** is also allocated to the tandem switch transport facility or special access channel mileage facility access elements. This is true for the CWF categories of exchange wideband, exchange trunk, interexchange wideband, interexchange trunk and host remote. The allocation of the CWF categories to access elements in part 69 is based primarily on direct assignment and interexchange circuit miles.

Because the identification of investment allocated to message toll versus special access is performed in Part 36, before Part 69 is used to identify costs by access element, it is necessary to focus on the Part 36 methodology used to determine transport costs.

Tandem Switching Investment

The FCC and the Joint Board have identified that the portion of the COE Category 2, Tandem Switching Investment not assigned to the Tandem Switching Element is recovered through the TIC charge. Since this item is in transition, and will be fully recovered in the tandem switching rate beginning January 1, 2000, Frederick & Warinner does not address these costs any further.

Central Office Circuit Equipment Investment

Part 36 discusses segregation of circuit equipment between basic circuit equipment and special circuit equipment only at locations where levels of interexchange and exchange special circuits are significant. Most small ILECs do not have significant investment in special access circuit equipment, and therefore the investment is identified as basic circuit equipment. An average cost for basic circuit equipment in the "all other" interexchange circuit equipment category 4.23 is determined **"per equivalent interexchange telephone termination for all circuits"** and applied to the **"equivalent interexchange telephone termination counts"** of each of the following classes of service: Interstate Private Line, State Private Line, Message and TWX.

We believe that these circuit counts are key in assigning costs between message toll and special access. At this point, an underlying concern is: "What is an ***equivalent*** interexchange telephone [circuit] ***termination***?" Should a four wire circuit be weighted and made "equivalent" to a two wire? Should a digital data special access circuit get equated to voice grade, or vice versa? Does the way a class of service is provisioned determine its equivalency? Does pricing determine the weighting for equivalent circuits? The core question in this area is, "Should a high cap special access circuit be equated, or weighted, to make it equivalent to others?"

At Frederick & Warinner, we have weighted high cap circuits used in the calculation of equivalent terminations based on the rate differential between the high cap CMT rate and the voice grade CMT rate. Using current NECA rates, this weights high caps at 3.96

equivalent terminations to every voice grade termination. In essence, this means that it only costs 3.96 times more in central office investment to provision a high cap circuit than it does to supply a customer a voice grade circuit.

Most cost companies assign terminations to the message toll services based on the number of channels in use on each carrier system. If a company has four full message toll systems, they would have 96 message toll terminations. Since most message toll carriers systems are "filled" before the next system is added, the message toll systems have higher economies of scale than special access systems, except where the system is a special access high cap system. Special access circuits which are not high cap are counted as one termination per channel used on the carrier system. If a company has three digital data and six voice grade special access circuits, then it would have nine special access terminations. If a high cap is included in this analysis, we would add 4 equated (3.96 rounded up) terminations to the special access termination count to come to a total of 96 message toll and 13 special access terminations.

IV. CONCLUSION

With the pricing for entrance facilities and direct trunked transport rate components being obtained from the special access arena, matching costs to revenue is critical. Frederick & Warinner believes that more direction is needed from the FCC or the Joint Board concerning the determination of equivalent terminations.

Respectfully submitted,

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